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January 30, 2012 **Via E-filing**

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: ***City of Pella, Iowa v. MidAmerican Energy Company***
Docket No. EL10-77
Revised January 30, 2012 filing

Dear Secretary Bose:

Pursuant to the Commission's Rules of Practice and Procedure, MidAmerican Energy Company hereby submits settlement documents in the above-referenced proceeding.

Please replace this amended filing with the one filed earlier today which inadvertently omitted one signed signature page.

This filing contains the following parts:

- Attachment A, Explanatory Statement
- Attachment B, Settlement Agreement

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ *Suzan M. Stewart/*

Suzan M. Stewart

ATTACHMENT A
EXPLANATORY STATEMENT

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

City of Pella, Iowa,	**)**	
	)	
v.	**)**	**Docket No. EL10-77-000**
	)	
Midwest Independent Transmission System	**)**	
Operator, Inc. and	**)**	
MidAmerican Energy Company	**)**	

EXPLANATORY STATEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. § 385.602 (2011), MidAmerican Energy Company ("MidAmerican"), the city of Pella, Iowa ("Pella") and the Midwest Independent Transmission System Operator, Inc. ("MISO" or "Midwest ISO") (collectively "Parties", individually a "Party") hereby submit this Explanatory Statement in Support of their Settlement Agreement ("Settlement" or "Agreement").[1] As discussed herein, the Settlement is intended to dispose of all issues that were raised or could have been raised in this proceeding and to terminate this proceeding in its entirety.

BACKGROUND

On July 2, 2010, Pella filed a Petition for Declaratory Order and a Complaint against MISO and MidAmerican asking the Commission to reclassify Pella's non-radial 69 kV facilities ("Pella's 69 kV Facilities") as transmission facilities eligible for inclusion under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff"),[2] and to find that MISO and MidAmerican violated sections 205, 206, 211, and 212 of the

[1] The Midwest ISO Transmission Owners are not a party to the Settlement, but authorize the Parties to represent that they do not oppose the Settlement.

[2] Midwest Independent Transmission System Operator, Inc., FERC Electric Tariff, Fourth Revised Volume No. 1 (Jan. 6, 2009).

Federal Power Act ("FPA")[3] and Commission policy by failing to recognize Pella's 69 kV Facilities as integrated transmission facilities. Additionally, Pella requested that the Commission direct MidAmerican and MISO to properly compensate Pella for its 69 kV Facilities. On August 19, 2010, MISO and MidAmerican filed their respective Answers, denying Pella's allegations. The Midwest ISO Transmission Owners intervened in the proceeding on the same date. In an order dated February 2, 2011,[4] the Commission granted in part and denied in part Pella's Complaint and Petition for Declaratory Order. The Commission determined that Pella's 69 kV Facilities constituted transmission facilities. The same order found, however, that Pella's 69 kV Facilities were not integrated with MISO's transmission system and, as a result, Pella was not eligible to receive credits for its 69 kV Facilities under Tariff Section 30.9. Finally, the Commission found that neither MISO nor MidAmerican violated any of the applicable provisions of the Tariff or the FPA by declining to include Pella's 69 kV Facilities for revenue sharing under the Tariff.

MidAmerican, Pella, and the Midwest ISO Transmission Owners filed motions for clarification or requests for rehearing of the Commission's February 2, 2011 Order, which remain pending before the Commission. In addition, MISO filed a Motion for Leave to Answer and Limited Answer to such filings of MidAmerican, Pella and the Midwest ISO Transmission Owners.

In addition, since issuance of the Commission's order, MidAmerican has reviewed the delineation of its own electrical facilities. Applying the Commission's seven-factor test,

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[3] 16 U.S.C. §§ 824d, 824e, 824j, 824k (2006).

[4] *City of Pella, Iowa v. Midwest Independent Transmission System Operator, Inc. and MidAmerican Energy Company*, 134 FERC ¶ 61,081 (2011) ("February 2, 2011 Order").

adopted in Order No. 888,[5] by analyzing power flows, MidAmerican has determined that its non-radial 69 kV electrical facilities previously classified as local distribution are now performing transmission functions. This re-delineation includes MidAmerican's 69 kV facilities that are interconnected with Pella's 69 kV Facilities. MidAmerican has begun the process of securing recommendations from state commissions for the re-delineation of its 69 kV facilities and has received approval from the Iowa Utilities Board ("Iowa Board") on September 12, 2011 in Docket No. SPU-2011-0005. MidAmerican's request to the Illinois Commerce Commission for authorization of the re-delineation is pending in Docket No. 11-0492. MidAmerican will file with the Commission to request its approval of the re-delineation, which is anticipated to take place during 2012. If approved by the Commission, MidAmerican proposes to transfer control for open access purposes to MISO of the re-delineated facilities through an Agency Agreement arrangement per Appendix G of the Midwest ISO Transmission Owners Agreement ("MISO TOA").[6] These actions will integrate such facilities, as well as the Pella 69 kV Facilities, with the transmission facilities of the MISO.

Ms. Jerrilynne Purdy of the Commission's Dispute Resolution Service assisted the parties in reaching this settlement.

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[5] *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

[6] The full name of the MISO TOA is the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation. Appendix G of the MISO TOA includes a *pro forma* Agency Agreement allowing MISO to provide open access transmission service on certain "Non-transferred Transmission Facilities" of MISO Transmission Owners, which generally include transmission facilities with voltage ratings less than 100 kilovolt.

SUMMARY OF SETTLEMENT

The Settlement is intended to fully resolve all matters at issue in this proceeding between the Parties.

Following is a summary of each provision of the Settlement.

The **Recitals** address the Parties and the procedural history of the case, MidAmerican's filings with state authorities to re-delineate its networked 69 kV facilities to which Pella's 69 kV facilities are connected, and the matters resolved by settlement.

Article I. Generation/Redispatch addresses generation re-dispatch and provides the key principles for a generation re-dispatch cost-sharing agreement to be entered into by Pella and MidAmerican for the interim period between the later of April 1, 2012 or when Pella's Southeast Switching Station goes into service and when Pella's 69 kV Facilities become subject to control for open access purposes by MISO.

Article II. Operating Guide provides for the development, by February 15, 2012, of an Operating Guide for the Southeast Switching Station. The Operating Guide will facilitate placing the Southeast Switching Station into operation and increasing energy imports into Pella.

Article III. Compensation for 69 kV Facilities addresses compensation for Pella's 69 kV Facilities and certain MidAmerican 69 kV facilities via their inclusion in MISO transmission rates. *See* Section 3.1. Section 3.2 addresses MidAmerican's state and federal delineation proceedings. Section 3.2 requires MidAmerican to use its best efforts to complete its state and federal delineation proceedings effective May 1, 2012 and further requires the Parties to cooperate to achieve this result and to seek an expedited ruling by the Commission by that date or as soon thereafter as possible. In Section 3.3 Pella agrees not to contest the state and federal re-delineation filings, including any prospective MidAmerican filing for application of the seven-factor test. In Section 3.4 MidAmerican consents to act in support of, timely amend or enter into the documents that are necessary to enable the compensation of Pella’s 69 kV Facilities. In Section 3.5, an alternate approach is set forth for achieving compensation for Pella by September 1, 2012. If the necessary orders and agreements have not been completed by that date, MidAmerican and Pella agree to find a means to provide compensation. Pella agrees not to oppose MidAmerican’s requests for forward-looking transmission rates in Section 3.7. Pella reserves its rights to protest elements of such filings that are unrelated to forward-looking rates.

Article IV. Direct Assignment Facilities Charges addresses MidAmerican’s direct assignment facilities (“DAF”) charges to Pella. Effective June 1, 2012, MidAmerican will reduce such DAF charge from its current level of $13,619.96 per month to $2,947.78 and such charge will be terminated concurrently with the commencement of compensation for Pella’s 69 kV Facilities.

Article V. Application of the Seven-Factor Test provides that MidAmerican will not object to the inclusion of all networked Pella 69 kV facilities in the relevant transmission rates, even if MidAmerican selects a different test in its Re-delineation Filing. Likewise, Pella will not object in regulatory proceedings should MidAmerican at some point in the future propose to use a different test from the one in its Re-delineation Filing, which different test results in additional 69 kV networked facilities being classified as transmission.

Article VI. Southeast Switching Station and Clark Street Substation provides that MidAmerican agrees to the inclusion of the non-radial portions of Pella’s Southeast Switching Station and Clark Street Substation investments in transmission rates and not to oppose their inclusion under MISO and FERC procedures. Section 6.1 provides that the non-radial portions of the Southeast Switching Station and the Clark Street Substation are to be included in transmission rates on the Tariff Attachment O template and consistent with Pella's audited financial statements.

Article VII. Standard of Review provides that the provisions of the Settlement Agreement shall not be subject to change under FPA Sections 205 and 206 absent the written agreement of the Parties, and that the standard of review for changes unilaterally proposed by a Party or the Commission, acting *sua sponte* or at the request of a third party, shall be the public interest standard of review.

Article VIII. Rehearing Requests asks that the rehearing requests pending at FERC be stayed and that the Commission treat those rehearing requests as withdrawn if the Settlement is approved in a manner acceptable to all Parties.

Article IX. Effectiveness of the Settlement Agreement provides that this Settlement Agreement shall be effective upon signing, subject to Commission approval. Should the Agreement not be approved by the Commission without condition or modification and the Parties do not either renegotiate the Agreement or accept the Commission's conditions or modifications, the Settlement Agreement will thereafter be null and void and of no force or effect and all Parties will preserve their rights.

Article X. Other Parties addresses the refusal of a Party other than MidAmerican and Pella (i.e., at this time MISO) to refuse to sign the Settlement. In that event, Pella and MidAmerican will support Settlement Agreement approval, with Pella taking the main responsibility for securing FERC approval.

Article XI. Miscellaneous provides certain standard settlement agreement provisions.

INFORMATION TO BE PROVIDED WITH SETTLEMENTS

a. What are the issues underlying the settlement and what are the major implications?

The Settlement resolves the issue of whether certain 69 kV facilities owned by Pella and interconnected to 69 kV facilities owned by MidAmerican merit compensation under the Tariff on the grounds that they are integrated transmission facilities. The Settlement does not establish principles or precedents and has no major implications beyond the specific set of facilities at issue in the case.

b. Do any of the issues raise policy implications?

The Settlement does not raise policy implications as it relates to a fact-specific treatment of certain 69 kV facilities.

c. May other pending cases be affected?

No pending cases will be affected. The Settlement requires that certain additional FERC filings be submitted -- MidAmerican's proposed redelineation of certain of its 69 kV facilities, a revised Joint Pricing Zone Agreement, and revisions to the Pella Network Integration Transmission Service Agreement.

d. Does the settlement involve issues of first impression, or are there any previous reversals on the issues involved?

The Settlement does not involve issues of first impression. It resolves a dispute about the application of established principles to the Pella transmission situation. The settlement provides that if the MidAmerican re-delineation filing discussed above is not ruled upon by a certain date, that the prior Commission delineation of MidAmerican 69 kV facilities connected to Pella's 69 kV Facilities as local distribution will be changed to a delineation of transmission no later than September 1, 2012 as a result of the approval of the Settlement

Agreement. The record in this case, as well as a ruling by the Iowa Utilities Board, that such facilities are transmission, supports this change in delineation.

e. Is the settlement subject to the just and reasonable standard, or is there Mobile-Sierra language making it the standard, i.e., the applicable standards of review?

The public interest standard of review applies to the Parties to the Settlement Agreement itself, as discussed in Article VII of the Settlement. The standard of review for changes unilaterally proposed by the Commission, acting *sua sponte* or at the request of a third party, to the Settlement shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 128 S.Ct. 2733 (2008), and *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 130 S.Ct. 693 (2010).

CONCLUSION

The Settlement represents a fair and reasonable resolution of the issue in this proceeding and the Commission is asked to accept the Settlement expeditiously without revision, amendment or condition.

ATTACHMENT B

SETTLEMENT AGREEMENT

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

City of Pella, Iowa,	)	
	)	
v.	)	**Docket No. EL10-77-000**
	)	
Midwest Independent Transmission System Operator, Inc. and MidAmerican Energy Company	)	

SETTLEMENT AGREEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. § 385.602 (2011), MidAmerican Energy Company ("MidAmerican"), the City of Pella, Iowa ("Pella") and Midwest Independent Transmission System Operator, Inc. ("MISO") (individually "Party," collectively "Parties") hereby enter into this Settlement Agreement ("Agreement") to resolve all of the outstanding issues in the above-captioned proceeding.[7]

RECITALS

WHEREAS, on July 2, 2010, Pella filed a Petition for Declaratory Order and Complaint against MidAmerican and MISO, requesting, *inter alia*, that the Commission find MISO and MidAmerican both violated Section 206 of the Federal Power Act, as well as the mandates of Order No. 888 and the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff") by discriminatorily failing to honor the seven-factor test with respect to Pella's 69 kV networked facilities ("Pella's 69 kV Facilities"), misclassifying those facilities, and withholding revenue properly due to Pella for its transmission ownership of such facilities; and

[7] The Midwest ISO Transmission Owners are not a party to the Settlement, but authorize the Parties to represent that they do not oppose the Settlement.

WHEREAS, on August 19, 2010, MidAmerican and MISO each filed Answers to Pella's complaint with the Commission denying such allegations; and

WHEREAS, on February 2, 2011, the Commission issued an "Order Granting in Part and Denying in Part Complaint and Petition for Declaratory Order," *City of Pella, Iowa v. Midwest Independent Transmission System Operator, Inc. and MidAmerican Energy Company*, 134 FERC ¶ 61,081 (2011) ("February 2, 2011 Order"); and

WHEREAS, Pella, MidAmerican and Midwest ISO Transmission Owners sought rehearing of various aspects of the February 2, 2011 Order, and on April 1, 2011, the Commission issued an order granting rehearing for further consideration; and

WHEREAS, on June 15, 2011 and June 16, 2011, respectively, MidAmerican filed with the Iowa Utilities Board ("Iowa Board") and the Illinois Commerce Commission ("Illinois CC") applications to re-delineate from local distribution to transmission its non-radial, networked 69 kV electrical facilities pursuant to the Commission's seven-factor test[8] and on September 12, 2011, the Iowa Board issued an Order Recommending Delineation and Terminating Docket in Docket No. SPU-2011-0005, while MidAmerican's application to the Illinois CC presently is pending; and

WHEREAS, MidAmerican's 69 kV facilities interconnected with Pella's 69 kV facilities ("MEC Pella-Area 69 kV Facilities") are among the 69 kV facilities that are proposed to be re-delineated from local distribution to transmission accounts;

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8 *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

WHEREAS, on July 15, 2011, the Parties notified the Commission that MidAmerican and Pella had agreed to Alternative Dispute Resolution ("ADR") under the aegis of the Commission's ADR staff; and

WHEREAS, the Parties wish to fully resolve all outstanding issues related to this proceeding by settlement.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements set forth herein, the receipt of which is expressly acknowledged, the Parties agree as follows:

ARTICLE I.
GENERATION REDISPATCH

1.1 Pella's local area generation may be dispatched in order to provide voltage support and reliability to the Pella area electric system, including facilities of MidAmerican, Central Iowa Power Cooperative and ITC Midwest LLC 69 kV and other transmission and distribution facilities. Such generation re-dispatch is directed by the MidAmerican control center in its role of monitoring the MidAmerican area 69 kV system. MidAmerican and Pella shall develop a separate agreement detailing a cost sharing arrangement relating to such generation re-dispatch, but the following core principles shall be contained in such agreement.

1.2 MidAmerican and Pella agree that generation re-dispatch cost sharing will begin the later of April 1, 2012, or when Pella's new Southeast Switching Station goes into service. Re-dispatch cost sharing will end when MISO takes control of Pella's 69 kV Facilities and the MEC Pella-Area 69 kV Facilities pursuant to an Appendix G Agency Agreement for each entity under the Midwest ISO Transmission Owners Agreement

("TOA Agency Agreement"). After this time, Pella will be paid for its re-dispatch costs under the MISO Tariff and Business Practice Manual and FERC and MISO rules.[9]

1.3 During the period prior to MISO assuming functional control of Pella's 69 kV Facilities and the MEC Pella-Area 69 kV Facilities: (1) The first 5 MW of generation re-dispatch service will be paid for in full by Pella, (2) MidAmerican will pay a 50% share of the costs of all Pella generation re-dispatch above 5 MW and (3) the re-dispatch cost will be calculated as the differential between the actual costs of running Pella generation for dispatch and the Pella area locational marginal price provided that if such differential results in Pella being paid more than the costs of running the generation then the re-dispatch cost will be deemed to be zero for the purpose of determining MidAmerican's cost obligation.

ARTICLE II.
OPERATING GUIDE

2.1 An updated Operating Guide will be developed by MidAmerican (including the involvement and review of Pella and MISO) by no later than February 15, 2012, to be effective when Pella's new Southeast Switching Station and related 69 kV facilities are energized. The Operating Guide will facilitate the placing of the Southeast Switching Station into operation and increasing energy imports into Pella.

ARTICLE III.
COMPENSATION FOR 69 kV FACILITIES

3.1 The Parties agree that, subject to all necessary approvals, Pella shall receive compensation for Pella's 69 kV Facilities, which shall include only non-radial transmission

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[9] The full name of the Midwest ISO Transmission Owners Agreement is the Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation. Appendix G of the Midwest ISO Transmission Owners Agreement includes *a pro forma* Agency Agreement allowing MISO to provide open access transmission service on certain "Non-transferred Transmission Facilities" of Midwest ISO Transmission Owners, which generally include transmission facilities with voltage ratings less than 100 kilovolt.

facilities that are integrated with MISO's transmission facilities, pursuant to the terms of the MISO Tariff and MidAmerican's Joint Pricing Zone Agreement.[10] A listing of Pella's 69 kV Facilities that are subject to compensation under this Agreement is attached hereto at Exhibit A. Pella may use an agent as the vehicle for obtaining compensation for Pella's 69 kV Facilities, provided that such agent shall be a transmission-owning member of MISO and a party to MidAmerican's Joint Pricing Zone Agreement. The timing of the effective date of such compensation will be governed by this Settlement Agreement. Likewise, MidAmerican owns certain 69 kV non-radial facilities, including the MEC Pella-Area 69 kV Facilities, for which it expects that it will receive compensation pursuant to the terms of the MISO Tariff and the Joint Pricing Zone Agreement, pending its obtaining regulatory approval to re-delineate such facilities, as discussed herein.

3.2 MidAmerican will make best efforts to complete the process of re-delineation of the MEC Pella-Area 69 kV Facilities, as well as any other facilities it deems appropriate to re-delineate, at the relevant regulatory bodies, including the Iowa Board, the Illinois CC, and the Commission, such that the Commission can issue an order on MidAmerican's "Re-delineation Filing" with an effective date no later than May 1, 2012. The Parties will cooperate to achieve this result. MidAmerican and Pella will request expedited rulings on MidAmerican's Re-delineation Filing, including requesting that the Commission rule on such delineation such that it is effective on the first day of the first calendar month that falls at least 60 days after the Re-Delineation Filing ("Re-delineation Effective Date") is submitted. MidAmerican, however, is not obligated by this Agreement to submit its "Re-delineation Filing" to the Commission prior to such time as the Illinois

[10] The currently effective version of the Joint Pricing Zone Agreement was accepted by the Commission in Docket No. ER10-562-000 on March 2, 2010 (unpublished letter order).

Commerce Commission has ruled on the re-delineation filing pending before it. Thus, the proposed Re-delineation Effective Date may actually fall before or after May 1, 2012.

3.3 Pella will not contest re-delineation of MidAmerican's 69 kV networked facilities before the Iowa Board, the Illinois CC, or FERC, including any current or prospective MidAmerican filing to apply the seven-factor test, as interpreted by MidAmerican. *See* Article V below. MidAmerican and Pella will cooperate with respect to filings to inform the state regulatory agencies of this Settlement and to withdraw or modify prior pleadings, as appropriate.

3.4 MidAmerican will timely amend or enter into the documents that are necessary to enable the compensation of Pella's 69 kV Facilities. Specifically, MidAmerican will act to facilitate obtaining an effective date for the documents necessary for Pella to receive compensation as of the Re-delineation Effective Date. MidAmerican will commit to: 1) filing an amendment to the Joint Pricing Zone Agreement to permit compensation of integrated transmission facilities below 100 kV and 2) enter into a TOA Agency Agreement with the MISO with regard to its 69 kV facilities that are re-delineated as transmission. Exhibit B shows the changes that MidAmerican will propose to the Joint Pricing Zone Agreement. MidAmerican will submit the revised Joint Pricing Zone Agreement for filing the earlier of the day of its Re-delineation Filing, or, July 2, 2012. MidAmerican will seek an effective date for the revised Joint Pricing Zone Agreement and the TOA Agency Agreement of the Re-delineation Effective Date consistent with this Agreement. Pella will take any steps it needs to take in order for it to meet the requirements for compensation, including it, or its agent, entering into a TOA Agency Agreement with MISO for Pella's 69 kV Facilities, subject to the requirements of the MISO Tariff and the MISO Transmission Owners Agreement.

3.5 Although the Parties will use their best efforts to secure a Re-delineation Effective Date of May 1, 2012, if MidAmerican has not submitted the Re-delineation Filing to the Commission by July 2, 2012, the Parties will instead use the alternate means discussed herein to put in effect all necessary agreements to enable Pella to receive compensation for Pella's 69 kV Facilities so that such agreements are effective on September 1, 2012. Specifically, MidAmerican will file the revised Joint Pricing Zone Agreement by July 2, 2012, seeking a September 1, 2012 effective date. Second, MidAmerican will place the MEC Pella-Area 69 kV Facilities under the control of MISO for open access purposes through a TOA Agency Agreement effective September 1, 2012. The record in this case, as well as the ruling of the Iowa Board (Exhibit C), fully support a finding that the MEC Pella-Area 69 kV Facilities are integrated transmission facilities as of the time of the effectiveness of the TOA Agency Agreement. Pella will take any steps it needs to take in order for it to meet the requirements for compensation, including it, or its agent, entering into a TOA Agency Agreement for Pella's 69 kV Facilities, subject to the requirements of the MISO Tariff and the MISO Transmission Owners Agreement. Through such actions, Pella will be assured of receiving compensation for Pella's 69 kV Facilities under the Joint Pricing Zone Agreement and MISO Tariff by the Re-delineation Effective Date of May 1, 2012, if this date can be met and, in any event, no later than September 1, 2012. Notwithstanding the foregoing, nothing in this Agreement shall be construed as requiring MISO to provide transmission service on, and effectuate transmission revenue collection and distribution with respect to, Pella's 69 kV Facilities and the MEC Pella-Area 69 kV Facilities prior to the effective date established or accepted for such provision of transmission service and revenue collection and distribution by a Commission order.

3.6 If for any reason, the necessary agreements described in Section 3.5 have not been made effective as of September 1, 2012, MidAmerican agrees that Pella shall be compensated for Pella's 69 kV Facilities as of that date and will work with Pella to ensure this result.

3.7 Pella will not oppose MidAmerican's request for forward-looking transmission rates filed by MISO on October 28, 2011 in Docket No. ER12-242-000. Elements unrelated to forward-looking rates included in the filing request for a forward-looking rate may be protested.

ARTICLE IV.
DIRECT ASSIGNMENT FACILITIES CHARGES

4.1 Under a Network Integration Transmission Service Agreement ("Pella NITSA"), MidAmerican assesses a Direct Assignment Facilities ("DAF") charge to Pella of $13,619.96 per month. MidAmerican will reduce that DAF charge from the current level of $13,619.96 per month to a level of $2,947.78 per month effective on June 1, 2012. All existing MidAmerican DAF charges to Pella will terminate concurrently with the effective date of the revised Joint Pricing Zone Agreement, which under this Agreement shall occur no later than September 1, 2012. As required by Commission policy, MidAmerican will ensure that MISO files with FERC the requisite amendments to the Pella NITSA within 30 days of the effective date of the rate change.

ARTICLE V.
APPLICATION OF THE SEVEN-FACTOR TEST

5.1 MidAmerican will not object to Pella's inclusion of all of its 69 kV non-radial transmission facilities in the transmission rates of MISO in accordance with the terms of this Agreement. Specifically, MidAmerican will not object to the inclusion of Pella's 69 kV Facilities in rates on the grounds that MidAmerican will propose a different application of the seven-factor test in its Re-delineation Filing to its own facilities than the application of the test applied by Pella to the Pella 69 kV Facilities.

5.2 Pella will not object before either Commission or state regulatory proceedings if at some point in the future MidAmerican should file a request to re-delineate additional 69 kV non-radial facilities that it previously did not assert were transmission under the seven-factor test in its Re-delineation Filing.

ARTICLE VI.
SOUTHEAST SWITCHING STATION AND CLARK STREET SUBSTATION

6.1 Pella's costs related to the Southeast Switching Station and Clark Street Substation will be included in transmission rates in accordance with the Attachment O rate template of Pella's agent, consistent with Pella's audited financial statements. Based on Pella's July 1 – June 30 fiscal year, the facilities will be included no sooner than June 1, 2013 (which date commences a rate based on the period from July 1, 2011 – June 30, 2012 given that Pella will use a historical ratemaking approach).

ARTICLE VII.
STANDARD OF REVIEW

7.1 It is the intent of the Parties that, to the maximum extent permitted by law, the provisions of this Settlement Agreement shall not be subject to change under FPA Sections 205 and 206 absent the written agreement of the Parties, and that the standard of review for changes unilaterally proposed by a Party or the Commission, acting *sua sponte* or at the request of a third party, shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), *Federal Power Commission v. Sierra Pacific Power Co.,* 350 U.S. 348 (1956), *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 128 S.Ct. 2733

(2008), and *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 130 S.Ct.693 (2010).

ARTICLE VIII.
REHEARING REQUESTS

8.1 The Parties shall seek a stay of their rehearing requests pending FERC's review of the Settlement Agreement and ask that the Commission deem them withdrawn if the Settlement Agreement is approved by FERC in a manner acceptable to the Parties.

ARTICLE IX.
EFFECTIVENESS OF THE SETTLEMENT AGREEMENT

9.1 This Agreement shall become effective on the date of execution, subject to approval by the Commission. However, in the event that the Commission orders a change or condition to the Settlement Agreement or its implementation, the Agreement will remain effective unless a Party that deems itself to be adversely affected files a notice with the Commission within fifteen (15) days of such an order that it objects to such conditions or modifications. In that event, the Parties shall negotiate in good faith to restore the Agreement consistent with the Commission's Order. In the event of such Commission change or condition and the Parties do not agree upon changes under the previous sentence, all Parties will preserve all legal rights.

In this event, unless the Parties otherwise agree in writing, the Agreement shall be null and void and of no force or effect, and no Party shall be deemed to have made any concession or incurred any obligation to any other Party by virtue of its execution of the Settlement Agreement.

ARTICLE X.
OTHER PARTIES

10.1 Should one or more Parties to the settlement process other than Pella and MidAmerican refuse to sign the Settlement Agreement or object to FERC approval of the

Settlement Agreement, Pella and MidAmerican will support approval of the settlement at FERC. Pella agrees to take main responsibility for securing FERC approval.

ARTICLE XI.
MISCELLANEOUS

11.1 This Agreement supersedes all previous representations, understandings, negotiations, and agreements, either written or oral, between or among the Parties or their representatives with respect to the subject matter hereof, and constitutes the entire agreement of the Parties with respect to the subject matter hereof.

11.2 The discussions among the Parties that have produced this Agreement have been conducted with the explicit understanding and agreement that all offers of settlement, including interim offers of settlement, and discussions relating thereto are and shall be privileged and shall be without prejudice to the positions of any of the Parties and are not to be used in any manner in connection with this or any other proceeding, except to the extent necessary to enforce its terms. Additionally, if the Agreement does not become effective, then it and any discussions relating thereto shall remain privileged and shall be without prejudice to the position of any Party, and may not be used in any manner in connection with the above-captioned or any other proceedings. This Agreement is submitted on the condition that, if the Agreement does not become effective, the Agreement shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

11.3 This Agreement is offered subject to the express condition that it constitutes a negotiated settlement in the above-captioned proceeding. Except as expressly provided herein, no Party to this Agreement, nor any other person or Party, shall be deemed to have approved, accepted, agreed to, or consented to any principle, methodology, or issue in this proceeding or to have prejudiced positions that were asserted or that might have been asserted in this or any other proceeding. Except as expressly provided herein, the Parties hereto will not be deemed to have agreed to any principle, method, concept or approach that is contained or that might be claimed to be contained in the rates, terms and conditions established by this Agreement and the revisions appended hereto.

Agreed to this 30th day of January, 2012.

For MidAmerican Energy Company:

____
By: Suzan M. Stewart, Managing Senior Attorney

For the City of Pella, Iowa:

____
By: ______________________________

For the Midwest Independent Transmission System Operator, Inc.:

____
By: ______________________________

Agreed to this 27 day of January, 2012.

For MidAmerican Energy Company:

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By: Suzan M. Stewart, Managing Senior Attorney

For the City of Pella, Iowa:

Katharine M. Mapes

By: Katharine M. Mapes, Attorney for City of Pella

For the Midwest Independent Transmission System Operator, Inc.:

____

By:______________________________

Agreed to this 24th day of January, 2012.

For MidAmerican Energy Company:

____

By: Suzan M. Stewart, Managing Senior Attorney

For the City of Pella, Iowa:

____

By:______________________________________

For the Midwest Independent Transmission System Operator, Inc.:

____

By: Gregory A. Troxell, Assistant General Counsel

EXHIBIT A

PELLA 69 KV FACILITIES SUBJECT TO COMPENSATION UNDER THE SETTELEMENT AGREEMENT

EXHIBIT A
PELLA 69 KV FACILITIES SUBJECT TO COMPENSATION UNDER THE SETTELEMENT AGREEMENT

1. 69 kV portions of the West Substation which serve a transmission function including 69 kV capacitor bank;
2. 69 kV portions of the Clark Street Substation which serve a transmission function (not to be included in transmission rates until June 1, 2013);
3. 69 kV portions of the Vermeer Substation which serve a transmission function including 69 kV capacitor bank;
4. 69 kV portions of the Power Plant Substation which serve a transmission function;
5. 69 kV portions of the Southeast Switching Station which serve a transmission function including 69 kV capacitor bank (not to be included in transmission rates until June 1, 2013;
6. Beacon Substation 69 kV Contribution in Aid of Construction (amount paid to MidAmerican to add a 69 kV breaker at the Beacon Substation in order to facilitate the Beacon-Pella 69 kV line);
7. Beacon 69 kV terminal and capacitor bank (Pella end; at the West Substation);
8. SCADA equipment related to transmission control and operation;
9. West Substation to Power Plant Substation 69 kV Line;
10. Power Plant Substation to Clark Street Substation 69 kV line;
11. Clark Street Substation to Southeast Switching Station 69 kV Line;
12. Beacon to Southeast Switching Station 69 kV Line;
13. Southeast Switching Station to West Substation 69 kV Line; and
14. Southeast Switching Station to CIPCO 69 kV Line.

JOINT PRICING ZONE REVENUE ALLOCATION AGREEMENT

This Joint Pricing Zone Revenue Allocation Agreement ("Agreement") is made and entered into as of the __ day of _____________, 2012~~09~~, by and between MidAmerican Energy Company, an Iowa corporation ("MidAmerican") and the Municipal Electric Utility of the City of Cedar Falls, Iowa ("Cedar Falls"), a municipal utility organized under the laws of the state of Iowa, and any successors thereof, which are referred to herein collectively as "Parties" and singularly as "Party," with respect to the allocation of revenues that the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO" or "MISO") distributes to the MidAmerican pricing zone (a zone that includes facilities and loads of MidAmerican and Cedar Falls, hereinafter referred to as "MidAmerican Zone") and charges for (1) transmission services and (2) payments among the Parties for network use of each other's transmission facilities in the MidAmerican pricing zone that are not billed by MISO.

WITNESSETH:

WHEREAS, MidAmerican and Cedar Falls became MISO Transmission Owners in the MidAmerican Zone on September 1, 2009 and take transmission service under the MISO Open Access Transmission, Energy and Operating Reserves Markets Tariff ("Tariff"); and

WHEREAS, following approval of the required transmission facility financial information, the revenue requirements for each Party's transmission facilities in the MidAmerican Zone will be included in the MISO transmission service rates for the MidAmerican Zone; and

WHEREAS, MISO collects revenues for a pricing zone and remits those revenues to a single Transmission Owner regardless of the number of Transmission Owners within that zone; and

WHEREAS, MISO distributes all revenues to MidAmerican for the MidAmerican Zone; and

WHEREAS, the city of Atlantic, the city of Montezuma, the city of Tipton, the city of Eldridge, the city of Pella and the Iowa Public Power Agency ("IPPA") own transmission facilities in the MidAmerican Zone and have assigned any rights to transmission revenues recovered for such facilities to Cedar Falls; and

WHEREAS, the Municipal Energy Agency of Nebraska ("MEAN") and the city of Waverly own transmission facilities in the MidAmerican Zone and intend to receive consideration for such ownership via the provisions of Section 30.9 of the MISO Tariff which will result in MEAN's and Waverly's facilities being considered as part of MidAmerican's facilities for the purpose of this Agreement; and

WHEREAS, MISO does not bill the Parties and does not collect revenues for the MISO network transmission service provided to Cedar Falls and MidAmerican in the MidAmerican Zone; and

WHEREAS~~Whereas~~, MISO does not bill all of the parties who have assigned their transmission facilities to Cedar Falls and does not collect revenues for the MISO network transmission service provided to such parties; and

WHEREAS, this Agreement addresses the allocation of MISO revenues among the Parties identified herein so that each Party will recover its proportionate share of these MISO revenues; and

WHEREAS, this Agreement also addresses payments among the Parties, as well as the parties who have assigned their transmission facilities to Cedar Falls, for network integration transmission service in the MidAmerican Zone that are not billed by MISO.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used in this Agreement without other definitions will have the meanings set forth below or, if not set forth below, as defined in the Tariff:

Agreement: This Joint Pricing Zone Revenue Allocation Agreement, including any attachments hereto, or amendments thereof.

Annual Transmission Revenue Requirement ("ATRR"): The Annual Transmission Revenue Requirement for each Party's facilities in the MidAmerican Zone, as reflected in that Party's Attachment O. In the case of Cedar Falls, the ATRR of the facilities owned by Cedar Falls, Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA shall be summed to determine the Cedar Falls ATRR.

ATRR Allocator: The *pro rata* share of each Party's ATRR relative to the Zonal Revenue Requirement, expressed to two decimal places and computed annually (and recalculated whenever there is a change to any Party's ATRR).

Attachment O: Attachment O to the Tariff. For each month ~~period from June 1 through May 31~~ that this Agreement is in effect, MidAmerican will use Attachment O data on which the Zonal Transmission Rate for that month ~~period~~ is based to determine the Facilities Value, Annual Transmission Revenue Requirement, and Network Load for each Party.

Facilities Value: The gross book value of the Transmission Facilities in the MidAmerican Zone owned by, or assigned to, each Party, as reflected in that Party's

Attachment O. In the case of Cedar Falls, the gross book value of the facilities owned by Cedar Falls, Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA shall be summed to the determine the Cedar Falls Facilities Value.

FERC or **Commission:** The Federal Energy Regulatory Commission or its successor.

FPA: The Federal Power Act, 16 U.S.C. §§ 791a-825r, *as amended by* Pub. L. No. 109-58, 119 Stat 594 (2005).

Gross Book Value ("GBV") Allocator: The *pro rata* share of each Party's Facilities Value relative to the Zonal Facilities Value (in terms of gross book value), expressed to two decimal places and computed annually.

Governmental Authority: Any court, tribunal, agency, commission, or similar governing entity having jurisdiction over the applicable Party or subject matter.

Imputed Transmission Charge ("ITC"): The imputed charge for network integration transmission service utilized by each Party not otherwise billed for MISO network transmission service by MISO to serve its Network Load in the Joint Pricing Zone.

Inter-Zonal Revenues: Transmission revenues collected under Tariff Schedules 7, 8, and 9 for transactions outside of the MidAmerican Zone or sourcing in the MidAmerican Zone and sinking outside of the MidAmerican Zone. Inter-Zonal Revenues are collected by (or on behalf of) MISO under the Tariff, distributed to MidAmerican for the Joint Pricing Zone, and allocated among the Parties using the GBV Allocator.

Intra-Zonal Revenues: Revenues received under Tariff Schedules 7, 8, and 9 from transmission service provided within the MidAmerican Zone for transactions inside the pricing zone or sinking in the MidAmerican Zone. Intra-Zonal Revenues are collected by (or on behalf of) MISO under the Tariff, distributed to MidAmerican for the Joint Pricing Zone, and allocated among the Parties using the ATRR Allocator.

Joint Pricing Zone or **JPZ:** The MidAmerican Zone, which includes transmission facilities owned by the Parties hereto or facilities for which all rights to receive revenues which have been assigned to a Party.

MISO Adjustments: Adjustments to Intra-Zonal Revenues or Inter-Zonal Revenues made by MISO after such revenues have been distributed to MidAmerican. Credits or debits made by MISO to revenues for periods during which this Agreement is in effect will be added to, or subtracted from, the total amount of Inter-Zonal Revenues and Intra-Zonal Revenues available for distribution among the Parties.

Monthly Network Revenues: The *pro rata* share of revenues associated with the Imputed Transmission Charge to which each Party is entitled, which is allocated using the ATRR Allocator.

Net Revenues: The amount that each Party is entitled to receive (if this amount is positive) or obligated to pay (if this amount is negative) under this Agreement each month.

Network Load: The 12-month average of each Party's system coincident peak load in the MidAmerican Zone, as reflected in that Party's Attachment O, excluding any load that already pays Tariff Schedule 9 charges directly to MISO**.** In the case of Cedar Falls, the Network Load of Cedar Falls, Atlantic~~, Montezuma, Eldridge~~ and Pella shall be summed to the determine the Cedar Falls Network Load.

MidAmerican Zone: Zone 24 of Schedule 9 of the Tariff.

Parties: The signatories to this Agreement, including any entities that become signatories pursuant to Section 6.2 of this Agreement.

Revenue Share: The revenues to which each Party is entitled prior to deduction of its Imputed Transmission Charge, which includes its Monthly Network Revenues, its share of Inter-Zonal Revenues, and its share of Intra-Zonal Revenues, as calculated on a monthly basis.

Tariff: The Open Access Transmission, Energy and Operating Reserves Markets Tariff for the Midwest Independent Transmission System Operator, Inc. on file with the Commission as MISO FERC Electric Tariff, Fourth Revised Volume No. 1, or any successor tariff.

Transmission Owner: A signatory to the MISO Agreement that meets the criteria for the term "Owner" set forth therein.

Transmission Owners' Agreement or MISO Agreement: Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation, on file with the FERC as Midwest Independent Transmission System Operator, Inc. FERC Electric Tariff, First Revised Rate Schedule No. 1, or any successor agreement.

Transmission Facilities: These facilities shall include (i) all Parties' non-radial ~~networked~~ facilities at or above ~~100~~69 kilovolts (hereinafter "kV") and (ii) all non-radial ~~networked~~ transformers where the two (2) highest voltages qualify under the voltage criteria of item (i) above.

Zonal Facilities Value: The sum of the Parties' Facilities Values.

Zonal ITC: The sum of the Parties' Imputed Transmission Charges.

Zonal Transmission Rate: The rate for monthly service provided in the Joint Pricing Zone under Tariff Schedule 9.

Zonal Revenue Requirement: The sum of the Parties' Annual Transmission Revenue Requirements.

ARTICLE II

RELATIONSHIP BETWEEN MISO AND THE PARTIES

2.1 Relationship between MISO and the Parties. As the Tariff administrator and independent operator of a regional transmission system that includes the facilities in the JPZ, MISO distributes Inter-Zonal Revenues and Intra-Zonal Revenues to MidAmerican. Pursuant to the Transmission Owners' Agreement, each of the Parties is entitled to a portion of such Inter-Zonal Revenues and Intra-Zonal Revenues.

2.2 Relationship among MidAmerican and Cedar Falls.

(a) MidAmerican will bill, allocate and distribute all amounts due to, or owed by, the Parties under this Agreement. Cedar Falls shall be responsible for determining the amounts to be retained by itself and the amounts it will distribute to Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA and for distributing such amounts to such entities.

(b) Cedar Falls will pay any amounts owed under this Agreement to MidAmerican. Cedar Falls shall be responsible for determining the amounts it is required to pay itself as well as the amounts to be paid to Cedar Falls by Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA.

2.3 Services Provided by MidAmerican. Each Party shall pay MidAmerican $240/month for billing and accounting services associated with MidAmerican performing its obligations under this Agreement. Such payment shall be reflected in the monthly payment/receipt in accordance with Section 3.4.

ARTICLE III

REVENUE DISTRIBUTION METHOD

3.1 ~~Annual~~ Periodic Calculations. ~~On an annual basis, or a~~As ~~otherwise~~ necessary to reflect changes to Facilities Values or ATRRs, the Parties will update their respective Attachment O templates. MidAmerican will use that information to calculate the following:

(a) **Zonal Facilities Value; GBV Allocator.** To determine the Zonal Facilities Value, MidAmerican will calculate the sum of all Parties' Facilities Values. MidAmerican will determine a GBV Allocator for each Party based on the *pro rata* share of that Party's Facilities Value relative to the Zonal Facilities Value.

(b) **Zonal Revenue Requirement; ATRR Allocator.** To determine the Zonal Revenue Requirement, MidAmerican will calculate the sum of all Parties' Annual Transmission Revenue Requirements. MidAmerican will determine an ATRR Allocator for each Party based on the *pro rata* share of that Party's Annual Transmission Revenue Requirement relative to the Zonal Revenue Requirement.

(c) **Imputed Transmission Charge.** To determine the Imputed Transmission Charge for each Party, MidAmerican will multiply that Party's Network Load by the Zonal Transmission Rate.

(d) **Zonal ITC.** To determine the Zonal ITC, MidAmerican will calculate the sum of all Parties' Imputed Transmission Charges (Cedar Falls Imputed Transmission Charge + MidAmerican Imputed Transmission Charge).

(e) **Monthly Network Revenues.** To determine each Party's Monthly Network Revenues, MidAmerican will multiply that Party's ATRR Allocator by the Zonal ITC.

3.2 Distribution of Periodic ~~Annual~~ Calculations. The computations detailed in Section 3.1 above will be calculated at least annually and recalculated any time there is a change in Attachment O impacting any Party's Facilities Value, Annual Transmission Revenue Requirement, or Imputed Transmission Charge. MidAmerican will provide this calculation to Cedar Falls within thirty (30) days of a change in the Attachment O data and calculations posted by MISO.

3.3 Monthly Calculations. The following computations will be made on a monthly basis:

(a) **Revenue Shares.** To calculate the Revenue Share for each Party, MidAmerican will determine the sum of the following three (3) numbers, as illustrated below:

(i) the product of the Inter-Zonal Revenues for the preceding month (net of MISO Adjustments) and that Party's GBV Allocator;

(ii) the product of the Intra-Zonal Revenues for the preceding month (net of MISO Adjustments) and that Party's ATRR Allocator; and

(iii) that Party's Monthly Network Revenues.

Revenue Share (Illustration)

Cedar Falls Revenue Share	**=**	Cedar Falls GBV Allocator x Inter-Zonal Revenues	+	Cedar Falls ATRR Allocator x Intra-Zonal Revenues	+	Cedar Falls ATRR Allocator x Zonal ITC

(b) **Net Revenues.** To calculate the Net Revenues for each Party, MidAmerican will subtract that Party's Imputed Transmission Charge from its Revenue Share.

3.4 **Monthly Payments.** The following payments will be made on a monthly basis:

(a) **Cedar Falls Payment/Receipt.**

(i) If Cedar Falls' Net Revenues are positive, then MidAmerican will pay an amount equal to Cedar Falls' Net Revenues to Cedar Falls. Cedar Falls shall be responsible for determining the portion of the payment it receives from MidAmerican to be retained by Cedar Falls and the portion of the payment it receives from MidAmerican to be distributed to Atlantic, Montezuma, Tipton, Eldridge, Pella and IPPA and for distributing such amounts to such entities.

(ii) If Cedar Falls' Net Revenues are negative, then Cedar Falls will pay an amount equal to Cedar Falls' Net Revenues to MidAmerican. Cedar Falls shall make a single payment on behalf of itself as well as for Atlantic, ~~Montezuma,~~ Tipton, ~~Eldridge,~~ Pella and IPPA. Cedar Falls shall be responsible for determining the amounts it is required to pay on behalf of itself as well as the amounts to be paid by Atlantic, ~~Montezuma,~~ Tipton, ~~Eldridge,~~ Pella and IPPA. In no event shall Cedar Falls fail to make a payment to MidAmerican on the basis that any of Atlantic, ~~Montezuma,~~ Tipton, ~~Eldridge,~~ Pella or IPPA failed to make a payment to Cedar Falls.

(b) **Timing Of Monthly Payments/Receipts.** MidAmerican shall make payments to the Parties within 10 days of receiving revenues from the Midwest ISO. The Parties shall make payments to MidAmerican within 7 days of receiving the monthly statement of Net Revenues from MidAmerican.

3.5 **Illustration of Revenue Allocation.** Distribution of Joint Pricing Zone revenues under this Article III is illustrated in Attachment A hereto.

3.6 **Provision of Information.** Within 10 days of receiving the monthly revenue statement from the Midwest ISO, MidAmerican will update the information in Attachments A for the preceding month and distribute it to the other Parties, including the calculations for Revenue Share and Net Revenues for each Party, as well as calculations for Inter-Zonal Revenues and Intra-Zonal Revenues for the MidAmerican Zone.

3.7 **Data and Records Requirements.** MidAmerican will maintain records substantiating all revenues that it allocates, distributes, or receives under this Agreement. Cedar Falls will maintain records substantiating all information they provide to MidAmerican and documenting all amounts that they pay or receive under this Agreement. The records maintained by all Parties pursuant to this Section 3.7 shall be subject to the audit requirements of Section 8.9.

ARTICLE IV

TERM AND WITHDRAWAL

4.1 **Effective Date.** The allocation and distribution of revenues set forth in Article III of this Agreement will be deemed effective in the following manner:

(a) The calculation of Imputed Transmission Charge and Monthly Network Revenue will be deemed effective as of the effective date approved by FERC ~~September 1, 2009~~ for all Parties having an Attachment O approved by MISO; and

(b) The calculation of Intra Zonal Revenues and Inter Zonal Revenues will be deemed effective as of the date approved by FERC~~September 1, 2009~~ for all Parties having an Attachment O approved by MISO.

4.2 **Termination**. This Agreement will remain in effect for five years after the date of its execution and continue thereafter so long as the rates for service under the Tariff are zonal-based rates, and MidAmerican and at least one of the other Parties is a Transmission Owner. Starting on the fifth anniversary of the execution of this Agreement, any Party may terminate its participation in this Agreement by providing two (2) years' prior written notice of its intent to terminate.

4.3 **Withdrawal from MISO.** Notwithstanding the requirements of Section 4.2, upon one year's prior written notice to the other Parties, a Party may withdraw from this Agreement if such Party is withdrawing from MISO. Up to and after its withdrawal, the withdrawing Party will be entitled to receive, or obligated to pay, revenues in accordance with Article III for the period up to its withdrawal. All of the withdrawing Party's other rights and obligations hereunder will terminate upon withdrawal, subject to financial settlement for the period ending on the date of termination. This Agreement will remain in effect for any Party not withdrawing unless (i) MidAmerican withdraws or (ii) all Parties except MidAmerican withdraw. In the event that MidAmerican withdraws from MISO, MidAmerican will negotiate in good faith with the other Parties to effectuate an equitable allocation of the revenues and costs covered by this Agreement, applying a methodology that is consistent with the principles established by this Agreement. Nothing in this Agreement will be construed as affecting the rights of any Party hereto to: (i) unilaterally make an application to FERC to withdraw from MISO; or (ii) challenge such withdrawal from MISO by any other Party.

4.4 **Material Changes to MISO Tariff.** In the event that the Commission approves a change to the MISO Tariff that has a material impact in the sole judgment of the affected Party on the revenue-sharing provisions in Article III of this Agreement, the Parties shall negotiate in good faith to amend this Agreement. If the Parties are unable to reach agreement on amendments to this Agreement, any Party may terminate its participation in the Agreement upon one year's prior written notice to the other Parties.

ARTICLE V

OTHER TARIFF SCHEDULES AND CHARGES

5.1 **Revenues Collected Pursuant to Other Tariff Schedules.** Unless specifically addressed by this Agreement, revenues collected by MISO pursuant to Tariff Schedules that are in effect at the time of execution of this Agreement, but are not explicitly referenced in this Agreement, will not be distributed under this Agreement. In the event that the Commission approves new Schedules to the Tariff which result in additional revenues being collected based on transmission investment, the Parties will negotiate in good faith to establish an equitable methodology for allocation of revenues collected thereunder, applying the principles established by this Agreement.

5.2 **Revenues Collected for Wholesale Distribution Service on Distribution Facilities.** Revenues received by MidAmerican for Wholesale Distribution Service provided by any Party other than MidAmerican shall be remitted by MidAmerican to the appropriate Wholesale Distribution Service provider.

ARTICLE VI

AMENDMENT AND NEW PARTIES

6.1 **Amendment.** This Agreement may be amended only by a written instrument duly executed by all of the Parties. No modification to any of the provisions herein will be binding on any of the Parties unless approved in writing by all of the Parties.

6.2 **New Parties.** In order to share in distribution of revenues on a comparable basis with the other Parties to this Agreement, a new Transmission Owner in the Joint Pricing Zone may become a Party to this Agreement, as amended to include such new Party.

ARTICLE VII

DISPUTE RESOLUTION

7.1 **Dispute Resolution Process.** Any dispute or controversy relating to this Agreement shall be referred to one or more designated representative(s) of each affected Party for resolution on an informal basis as promptly as practicable. Any Party may initiate this process by providing written notice of the dispute to the other Parties. In the event that the Parties are unable to resolve the dispute within sixty (60) days of such written notice, the dispute may be referred to formal alternative dispute resolution processes if mutually agreeable to the Parties. If no satisfactory resolution is reached, the processes set forth in this provision will terminate. Thereafter, such dispute or controversy may be submitted to any Governmental Authority having jurisdiction under applicable law.

7.2 **Reimbursement.** Any amounts owed by any Party upon the resolution of a dispute shall be paid within ten (10) days following resolution of that dispute, including interest from the original due date at a rate equal to the FERC Electric Interest Rate, unless otherwise agreed by the Parties.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 **Descriptive Headings.** The descriptive headings in this Agreement have been inserted for convenience of reference and shall not affect the construction of this Agreement.

8.2 **Governing Law and Venue.** This Agreement shall be interpreted and enforced according to the laws of the State of Iowa, except to the extent preempted by the laws of the United States of America. Any action arising hereunder that involves questions of state law shall be instituted and litigated in the courts of Iowa.

8.3 **Successors and Assigns.** This Agreement shall inure to the benefit of, and be binding upon, the Parties' successors and assigns.

8.4 **Delivery of Notices.** Notices required under this Agreement shall be in writing, and shall be sent by certified mail/return receipt requested, overnight courier, or other reliable and verifiable means. Any notice required under this Agreement will be deemed to have been given either: i) upon delivery, if sent by certified mail/return receipt requested or overnight courier; or ii) upon confirmation, if given by other reliable means.

8.5 **Entire Agreement; Non Waiver.** This Agreement, including any attachments hereto, constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement, and its interpretation shall not be affected by previous or contemporary oral or written representations made by any Party unless such representations are contained in this Agreement. Waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure

8.6 **Counterparts.** This Agreement may be executed in counterparts, all of which will constitute one agreement and will have the same force and effect as an original instrument.

8.7 **Section 206 Right.** Each Party will retain all rights it may have pursuant to Section 206 of the Federal Power Act., 16 U.S.C. § 824e, *amended by* Pub. L. No. 109-58, §§ 1285-86, 119 Stat. 594, 980-81 (2005).

8.8 **Section 205 Right.** During the term of this Agreement, the provisions hereof will not be subject to any changes pursuant to the provisions of Section 205 of the Federal Power Act, 16 U.S.C. § 824d, absent the agreement of all Parties hereto. The standard of review for any changes other than those expressly provided for herein will be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service*

Corp., 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

8.9 **Audits.** The Parties will maintain and retain for six (6) years the books and records needed to substantiate the calculations performed pursuant to Article III, and all data substantiating allocation of revenues or costs under this Agreement. Any Party may conduct, at its own expense, audits of any other Party's books and records that relate to this Agreement. Such audits will be conducted at reasonable, mutually agreed-upon times, and the Parties will cooperate in good faith to effectuate such audits.

8.10 **Regulatory Approval.** This Agreement is subject to regulatory approvals. In the event that FERC or any Governmental Authority disapproves or refuses to accept this Agreement in whole or in part, this Agreement will cease to be effective, except that the Parties will be obligated to attempt expeditiously and in good faith to negotiate a substitute agreement that addresses the reasons for such refusal or disapproval. In negotiating a substitute agreement, no Party will be required to accept any change that would reasonably be expected to reduce its expected economic benefit from the transaction.

8.11 **Limitations.** Nothing contained herein shall be construed to create an association, joint venture, trust, or partnership. Each Party will remain liable for its share of charges or assessments incurred under the Tariff or MISO Agreement, including congestion costs, lost revenue charges, exit fees and comparable costs.

8.12 **Indemnification.** Each Party shall indemnify and save each other Party harmless from all damages, losses, claims, costs, legal fees, and/or expenses for injury to or death of any person, or damage to any property, resulting from the operation of facilities controlled by it within the Joint Pricing Zone, unless and to the extent caused by the negligence or intentional wrongdoing of one of the other Parties.

IN WITNESS THEREOF, the Parties, by their duly authorized agents, have hereunder executed this Agreement.

MIDAMERICAN ENERGY COMPANY
An Iowa Corporation

By: ____

~~James Averweg~~Jeffery Gust

Vice President - Compliance and Standards

Date____________________

THE MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA

An Iowa Municipal Utility

By: ____

NAME: ____

TITLE: ____

Date____________________